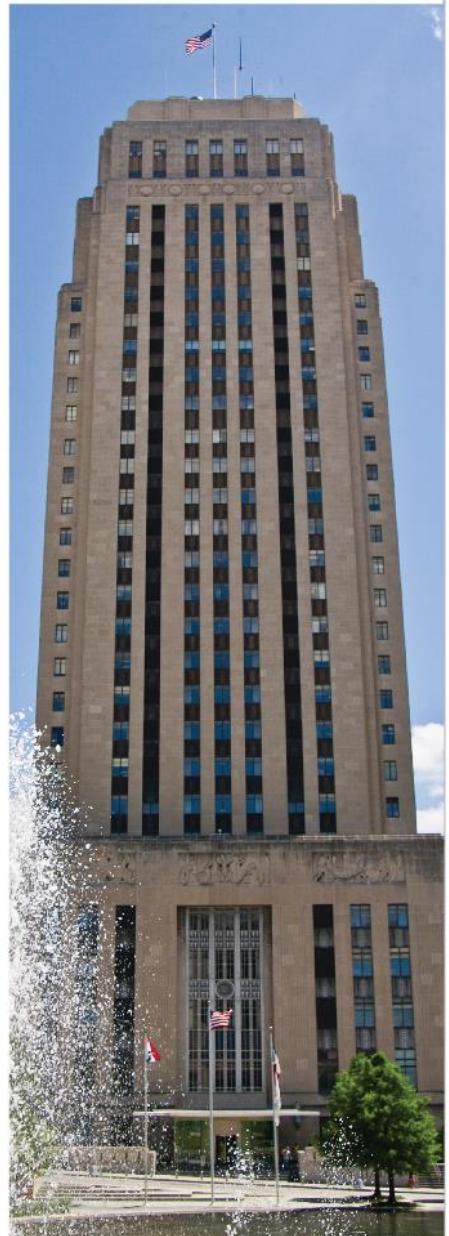


OFFICE OF THE CITY AUDITOR

PERFORMANCE AUDIT

March 2019

Parking Garage Investment Needs Planning, Coordination with Transportation Goals



CITY OF
KANSAS CITY,
MISSOURI

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March 25, 2019

Honorable Mayor and Members of the City Council:

This audit focuses on whether the investment of public funds in parking garages supports the city's transportation strategies for greater downtown. This audit was initiated in response to audit suggestions submitted by members of the public.

Past strategies for developing and managing parking and parking garages focused on motorist convenience. Current strategies take a multi-modal transportation approach and seek to maximize the efficiency of a transportation system, which includes parking garages. We determined that most parking garage decisions are made through the lens of economic development and not city transportation goals and policies adopted between 2009 and 2017. Additionally, existing parking garages with long-term city financial commitments need improved planning and budgeting for capital maintenance needs.

The city's economic development evaluation processes do not incorporate the city's transportation goals and policies. Projects are considered on a project-by-project basis and public financing continues to support the development of significant new parking supply downtown that may be counter-productive to long-term transportation and economic development goals. The Transit-Oriented Development Policy adopted by the City Council in May 2017, recommends eliminating the use of incentives to develop parking garages in transit-oriented areas such as greater downtown Kansas City.

City agreements to own or support parking garages have significant ongoing budgetary impacts through debt service payments and commitments to parking garage maintenance that constrain the city's budget. The financial support to build and maintain new parking supply comes at the expense of alternative modes of transportation that support city goals and reduces the city's ability to address other priorities and needs. Between 2007 and 2018, the general fund covered about \$94 million out of approximately \$140 million in debt service payments for parking garages with city commitments.

Parking garages are part of the city's transportation infrastructure, but responsibilities are fragmented: Public Works operates the garages, General Service maintains them, and economic development processes drive garage development and lease decisions. Budgets are not developed for individual parking garages based on its revenues and expenditures, making it difficult to assess each garage's performance. Additionally, total public capital investments in

parking garages are not tracked and there are no capital asset maintenance plans to identify and direct future capital investment needs for the nearly \$175 million in parking garage assets. We estimate the city should have at least \$8.2 million in reserves to meet current capital improvements for parking garages, not counting redevelopment of the Auditorium Plaza garage.

Discussions and decisions about parking garages should not be considered solely on a project-by-project basis but should support the broader transportation system for greater downtown Kansas City. Incorporating current parking management strategies supports other community goals such as walkability, congestion management, and environmental responsibility, and promote alternative means of transportation. We make recommendations to incorporate the city's transportation policies and goals into parking garage development decisions, consolidate responsibility for parking garage management, and improve maintenance planning and budgeting for the parking garages the city owns or for which it has long-term commitments.

The draft report made available to the city manager on January 23, 2019 for review and comment. His response is appended. We would like to thank staff in the Public Works Parking Services Division, General Services Facilities Management Division, Finance Department, and the Economic Development Corporation of Kansas City for their assistance and cooperation during this audit. The audit team for this project was Nancy Hunt and Jonathan Lecuyer.



Douglas Jones
City Auditor

Parking Garage Investment Needs Planning, Coordination with Transportation Goals

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Introduction

Objectives

We conducted this audit of public investment in parking structures under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides "findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability."¹

This report is designed to answer the following question:

- Is the investment of public funds in parking structures supporting the city's transportation strategy for greater downtown Kansas City?

Scope and Methodology

Our review focuses on whether public investment in parking structures supports the city's transportation strategies for greater downtown Kansas City. Our audit methods included:

- Reviewing citywide goals, plans, and policies to identify the city's stated strategy and intent for transportation development in greater downtown.
- Reviewing professional literature and consultant studies to determine parking management recommended practices.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

- Interviewing city staff and reviewing city documents to determine how city processes affect parking garage operations, maintenance, and development.
- Analyzing city financial documents to determine parking garage revenues, expenses, and debt service.
- Reviewing lease documents to determine the city's parking garage commitments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

Background

Publicly-Funded Parking Garage Responsibilities

Public funds are used to develop, operate, and maintain some parking garages in Greater Downtown Kansas City, Missouri. Parking garage responsibilities are divided between city departments and the Economic Development Corporation.

Parking Services. Parking Services, a section in the Public Works Department's Operations Division, is responsible for on- and off-street parking operations. Parking Services employees staff city commissions, boards, and committees that provide input to the city related to parking.

Facilities Management Division. Facilities Management is a division in the General Services Department that maintains parking garages and other city buildings.

Economic Development Corporation of Kansas City. The Economic Development Corporation of Kansas City (EDC) is a quasi-governmental agency that provides economic development services to evaluate projects that may receive incentives from the city. Parking garages may be included as part of an approved project.

City Transportation Policies, Plans, and Investments

Parking garages are part of the city's overall transportation system. The city adopted a series of policies, goals, and ordinances that provided greater specificity and direction for on- and off-street parking management. The city's transportation goals emphasize the development of non-vehicular infrastructure such as public transit and pedestrian and bicycle facilities. Single occupancy vehicle use is deemphasized and maximizing the use of existing parking infrastructure instead of increasing the parking supply is encouraged.

Greater Downtown Area Plan. The 2010 Greater Downtown Area Plan included multi-modal transportation goals specific to that geographic area.² (See Exhibit 1.) Overall, the goals maximize existing infrastructure by increasing density, reducing the number of automobiles commuting to downtown, and increasing alternative modes of transportation. The plan discourages the development of off-street surface parking and encourages promoting parking management strategies including the strategic development of parking garages from a district-wide, shared parking perspective while decreasing space dedicated to automobiles.

Parking and Transportation Commission. The City Council created the Parking and Transportation Commission in 2010.³ The commission provides recommendations to staff and council considering all transportation modes to create an efficient transportation system within the greater downtown area. The commission's enabling ordinance cites strategies such as time limits for on-street parking, optimizing the use of existing parking inventory, coordinating parking with public transit, implementing the Greater Downtown Area Plan recommendations, and investigating methods to address debt service associated with parking structures in Kansas City, Missouri.

Citywide Business Plan. The 2015-2019 Citywide Business Plan included goals to increase access to multi-modal transportation options such as buses, bicycle lanes, trails, sidewalks, and the streetcar system, and to develop a plan for connecting these systems. All subsequent citywide business plans have included similar multi-modal transportation goals.

City Code Parking Requirements. In 2009, city code was changed to reduce or eliminate parking requirements in certain

² The Greater Downtown Area is defined as approximately North KC to the north, State Line to the west, 31st Street to the south, and Woodland Avenue to the east.

³ Ordinance 091067, January 14, 2010.

zoning districts and areas, and near rapid transit stops.⁴ In 2012, the city removed all parking requirements within the designated streetcar area.⁵ Prior to these changes, city code required new developments to provide a certain number of parking spaces per square foot of building development based on the type of planned use. The repealed parking requirements would have required the developer to build new parking supply.

Transportation-Oriented Development Policy. In 2017, the city adopted a far-reaching transportation-oriented development policy that provides specific recommendations for public investments and future development near transit stations and along transit corridors.⁶ The policy provides guidance on both economic and parking related policies. Economic policies encourage incentivizing transportation-oriented and mixed-use development. Parking policies encourage a district-wide, shared parking strategy, utilizing parking demand management tools, and prohibiting the use of financial incentives to fund parking infrastructure.

Parking Studies. A series of parking studies provided the city with recommendations to improve and align parking operations with city goals.⁷ Parking Services states that with the support of the Parking and Transportation Commission the city has implemented many on-street parking management principles, including installation of metered parking, on-street parking limits, consistent pricing for parking, movement toward market-based pricing, issuance of a request-for-proposal for technology to assist in on-street parking management, increased enforcement of parking regulations, and facilitated shared parking agreements to maximize resources.

Multi-Modal Investments. The city has made significant investments in new multi-modal transportation approaches for greater downtown. Included in these investments are the downtown streetcar, an integrated “smart sensor” system to improve pedestrian access and traffic flow, installation of bike lanes, grants for public bikeshare stations, improvements to bus alignments and bus stops, and public approval for sidewalk improvements.

⁴ Ordinance 081033, May 21, 2009.

⁵ Ordinance 120138, March 8, 2012.

⁶ Resolution 160361, May 18, 2017.

⁷ *Operational Parking Assessment*, Walter P. Moore and Associates, Inc., January 2012; *River Market Parking Audit*, Smart Growth America, November 9, 2016; and *Crossroads District Parking Study*, Walker Parking Consultants, July 28, 2017.

Publicly-Funded Parking Garages

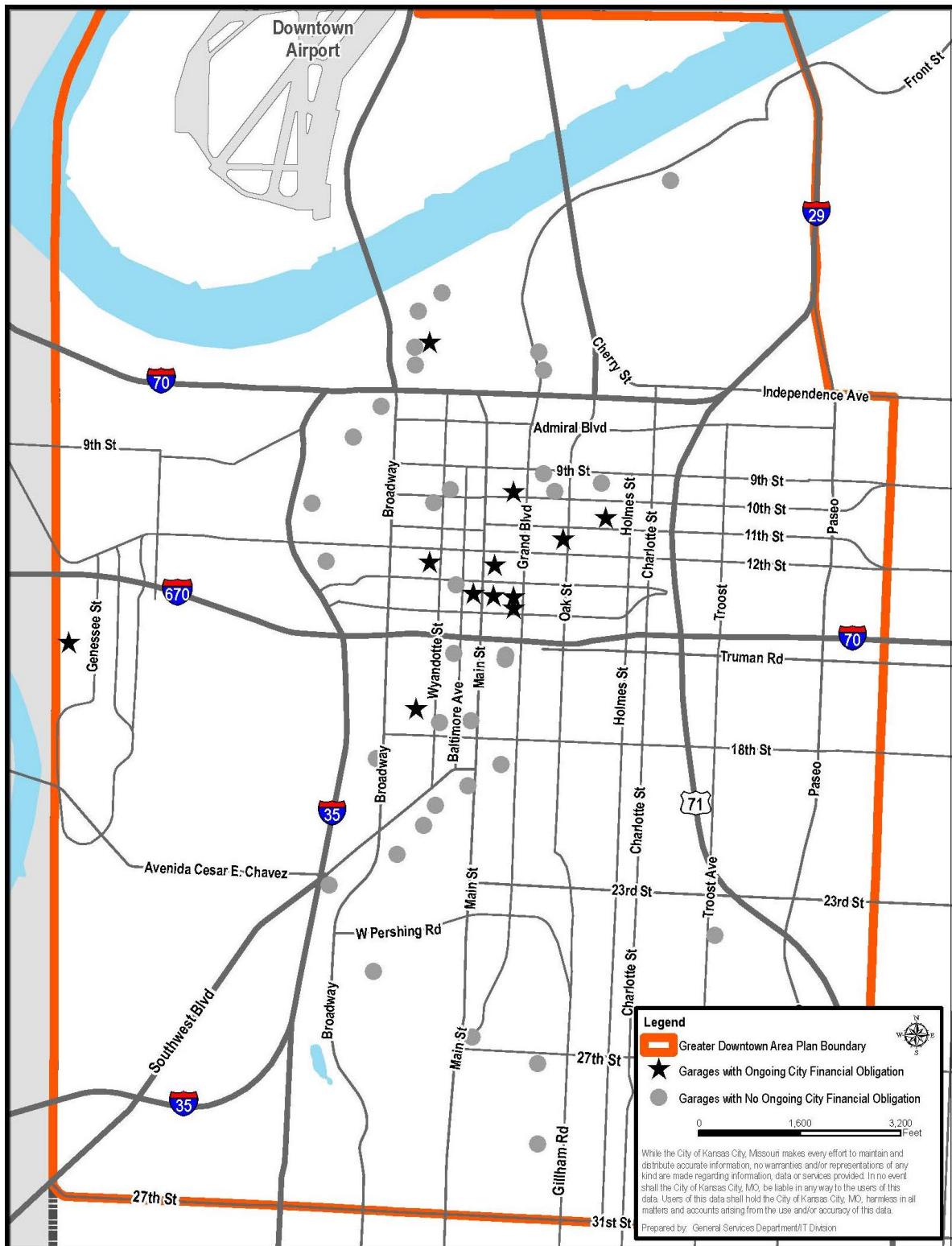
City and statutory agencies approved public investment in at least 46 projects with parking garages in the greater downtown area since 2000.⁸ (See Exhibit 1.) Public investment in garages includes incentives for garage construction, city backing of garage debt, and agreements for ongoing city operational involvement. See Appendix A for a list of existing garages and the public investment provided.⁹ Garages represent approximately \$175 million in city assets.

⁸ Statutory agencies included entities or programs such as the Chapter 353 Program, Land Clearance for Redevelopment Authority, Planned Industrial Expansion Authority, PortKC, and the Tax Increment Financing Commission of Kansas City.

⁹ Because the Economic Development Corporation of Kansas City does not track the use of incentives for parking facilities, this list may not include all publicly funded parking garages.

Parking Garage Investment Needs Planning, Coordination with Transportation Goals

Exhibit 1. Publicly-Financed Parking Garages in Greater Downtown Kansas City.



Source: Economic Development Corporation, Parking Services, and General Services.

Findings and Recommendations

Transportation Goals Do Not Guide Parking Garage Investment

Economic Development Evaluation Process Does Not Incorporate City's Transportation Goals

The city's economic development incentive process does not incorporate the city's adopted transportation policies¹⁰ supporting shared parking or other city transportation goals. Although the city adopted an economic development evaluation process as part of the AdvanceKC initiative,¹¹ the process focuses on the needs and outcomes of individual projects instead of a comprehensive transportation approach for projects that include a parking structure. A recent project lists garage development costs as a reason for public assistance, however, the city's adopted transit-oriented development policy recommends eliminating the use of incentives to develop parking garages in transit-oriented development areas.¹² City code no longer requires parking minimums in many areas in greater downtown¹³ and city transportation goals encourage using parking management principles (see Exhibit 2) to meet transportation needs instead of increasing the parking supply.

Exhibit 2. Parking Management Principles

Consumer choice. People should have viable parking and travel options.

User information. Motorists should have information on parking and travel options.

Sharing. Parking facilities should serve multiple users and destinations.

Efficient utilization. Parking facilities should be sized and managed so spaces are frequently occupied.

Flexibility. Parking plans should accommodate uncertainty and change.

Prioritization. The most desirable spaces should be managed to favor higher priority uses.

Pricing. As much as possible, users should pay directly for the parking facilities they use.

Peak management. Special efforts should be made to deal with peak demand.

Quality vs. quantity. Parking facility quality should be considered as important as quantity, including aesthetics, security, accessibility, and user information.

Comprehensive analysis. All significant costs and benefits should be considered in parking planning.

Source: *Parking Management: Strategies, Evaluation, and Planning*, Todd Litman, Victoria Transport Policy Institute, September 12, 2016, p. 2.

¹⁰ Greater Downtown Area Plan, Ordinance 091067, Past Citywide Business Plan Goals, Ordinance 081033, Ordinance 120138, and Resolution 160361.

¹¹ Ordinance 140375, May 29, 2014.

¹² Resolution 160361, May 18, 2017. *Kansas City, Missouri Transit-Oriented Development Policy*, City Planning Department, p. 128.

¹³ Code of Ordinances, Kansas City, Missouri Sec. 88-420-04.

Parking Garage Investment Needs Planning, Coordination with Transportation Goals

Before developing new parking supply, recommended practices identify other approaches to meet transportation needs including encouraging alternative transportation modes, sharing existing parking facilities, utilizing parking prices to turn over spaces, offering remote parking and shuttle services, regulating and enforcing parking, offering financial incentives to reduce parking demand, unbundling parking from developments¹⁴, and establishing parking maximums.¹⁵

Evaluating parking needs on a project-by-project basis resulted in creating additional parking supply. Most public investments in parking garages are part of economic development projects. Since 2000, at least 44 incentivized projects that included structured parking utilized public funds without considering or encouraging other parking management strategies. Although recommended practices would require motorists to pay directly to utilize parking, the city subsidizes parking garage construction which puts the financial burden on the city and not those benefitting from the garage.

Parking garages enable automobile travel and encourage additional automobile trips,¹⁶ counter to city goals. Increasing the parking supply in greater downtown may cause increased traffic congestion, reduce alternative modes of transportation, and undermine city economic development¹⁷ and climate protection goals.¹⁸ If the city finds it beneficial to invest public funds in a project with a parking garage, the decision to do so should be consistent with the city's overall transportation goals and strategy.

Recommendation	To align the city's economic development process with adopted multi-modal transportation goals, the city manager should update AdvanceKC and other development related policies to utilize parking management principles as part of a comprehensive transportation approach and to eliminate the use of incentives to construct garages in transit-oriented areas or to construct non-shared parking garages.
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¹⁴ Unbundling means that parking is rented or sold separately, rather than being automatically included with building space. *Parking Management: Strategies, Evaluation, and Planning*, p. 20.

¹⁵ Parking maximums means that an upper limit is placed on parking supply, either at individual sites or in an area. *Parking Management: Strategies, Evaluation, and Planning*, p. 15.

¹⁶ Donald Shoup, *Parking and the City*. (New York: Routledge, 2018), pp. 102-103.

¹⁷ *Parking and the City*, p. 128. and *Parking Management: Strategies, Evaluation, and Planning*, pp. 8, 11.

¹⁸ *Parking and the City*, pp. 102-103, 174-175.

Commitments to Parking Garages Continue

Significant public funds supported the development of new parking garage supply over the past 18 years. The city has relied on the general fund to support these garages. Most garages with ongoing city financial commitments were developed prior to changes in the city's parking and transportation goals; however, the city's financial commitment continues for several decades for existing garages and several yet to be built garages approved as part of economic development contracts. City contracts and leases are not always consistent with city transportation policies and goals.

The general fund is supporting garage debt service.

Redirected taxes and payments in lieu of taxes (PILOTS) from economic development projects meant to cover new parking garage debt service have been insufficient to make the debt payments. In 2018, the general fund paid almost \$17 million of the nearly \$21 million in total debt service payments for parking garages with city commitments. From 2007 to 2018, the general fund covered about \$94 million out of approximately \$140 million in debt service payments for parking garages with city commitments. The general fund is the city's only fund not committed to a specific purpose. The use of general fund revenues to support garage debt service reduces the city's ability to address other city priorities and needs.

Annual debt service for parking garages will continue for the foreseeable future. The Finance Department projects parking garage debt service to be between \$17 million and \$25 million annually over the next 10 years.¹⁹ (See Exhibit 3.) This estimate, however, does not include debt for the planned parking garage for Three Light Apartments²⁰, the redevelopment and replacement of the Auditorium Plaza Garage²¹, or other significant investment in existing garages. If these garages are built, projected annual parking garage debt service levels will increase.

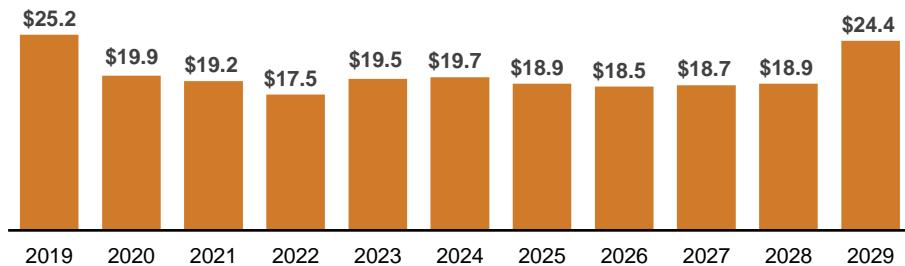
¹⁹ We cannot estimate the portion of debt service the general fund will be required to cover. Past performance indicates it will be a significant portion.

²⁰ Ordinance 180057, March 22, 2018.

²¹ Resolution 180768, October 18, 2018.

Exhibit 3. Projected Total Parking Garage Debt Service, FY 2019-2029

*in millions



Source: Finance Department Projections.

Many parking garage commitments were created prior to shifts in the city's transportation policies and goals. The parking paradigm shifted along with transportation strategies used by cities. The conventional parking paradigm managed parking for the convenience of motorists. The new multi-modal paradigm uses strategies to maximize the efficiency of the transportation system. (See Exhibit 4.) The city has adopted policies and plans to incorporate these new strategies.

Exhibit 4. Parking Paradigms

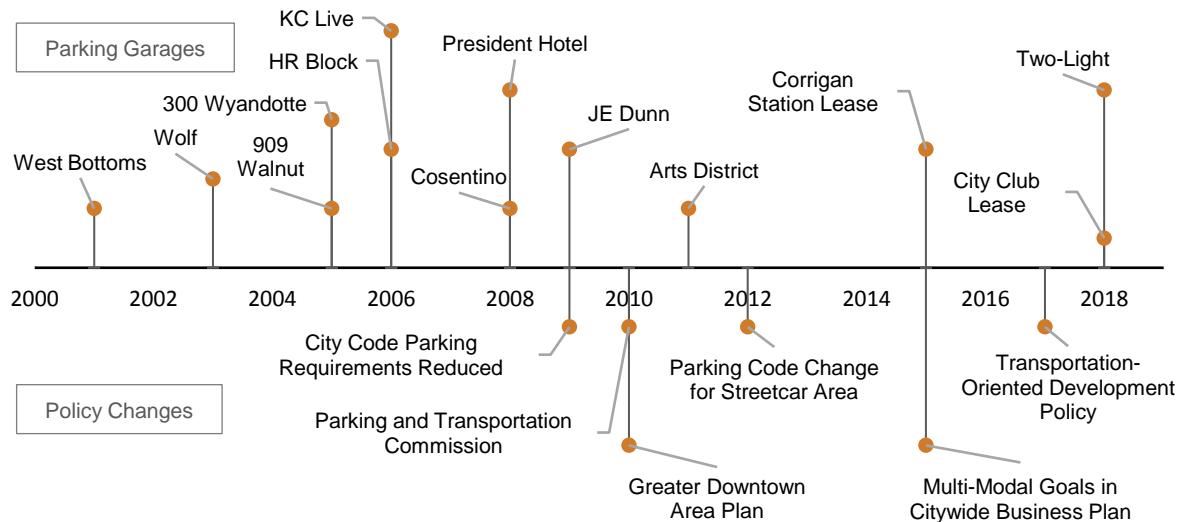
Old Parking Paradigm	New Parking Paradigm
“Parking problem” means inadequate parking supply.	There can be many types of parking problems, including inadequate or excessive supply, too low or high prices, inadequate user information, and inefficient management.
Abundant parking supply is always desirable.	Too much supply is as harmful as too little.
Parking should generally be provided free, funded indirectly, through rents and taxes.	As much as possible, users should pay directly for parking facilities.
Parking should be available on a first-come basis.	Parking should be regulated to favor higher priority uses and encourage efficiency.
Parking requirements should be applied rigidly, without exception or variation.	Parking requirements should reflect each particular situation and should be applied flexibly.
Innovation faces a high burden of proof and should only be applied if proven and widely accepted.	Innovations should be encouraged, since even unsuccessful experiments often provide useful information.
Parking management is a last resort, to be applied only if increasing supply is infeasible.	Parking management programs should be widely applied to prevent parking problems.
“Transportation” means driving. Land use dispersion (sprawl) is acceptable or even desirable.	Driving is just one type of transport. Dispersed, automobile-dependent land use patterns can be undesirable.

Source: *Parking Management: Strategies, Evaluation, and Planning*, p. 7.

The city's parking policy began to shift with the 2009 changes in zoning code parking requirements and the creation of the Parking and Transportation Commission in 2010. Parking policy continued to shift toward the new parking management paradigms with additional policies and goals through 2017. (See Exhibit 5.)

Despite this shift, the city has old and new commitments inconsistent with the new paradigm. From 2001 to 2011, the city supported the development of nine new parking garages for which it has ongoing commitments. Although Two-Light was completed in 2018, the city entered into an agreement with the Cordish Companies in 2004 that outlined the city's intent to provide parking garages for future residential high-rise development. In 2015, the city entered a long-term lease agreement for a newly developed and incentivized privately-owned parking garage.

Exhibit 5. City-Supported Parking Garage Development and Transportation Policy Timelines, 2000 - 2018

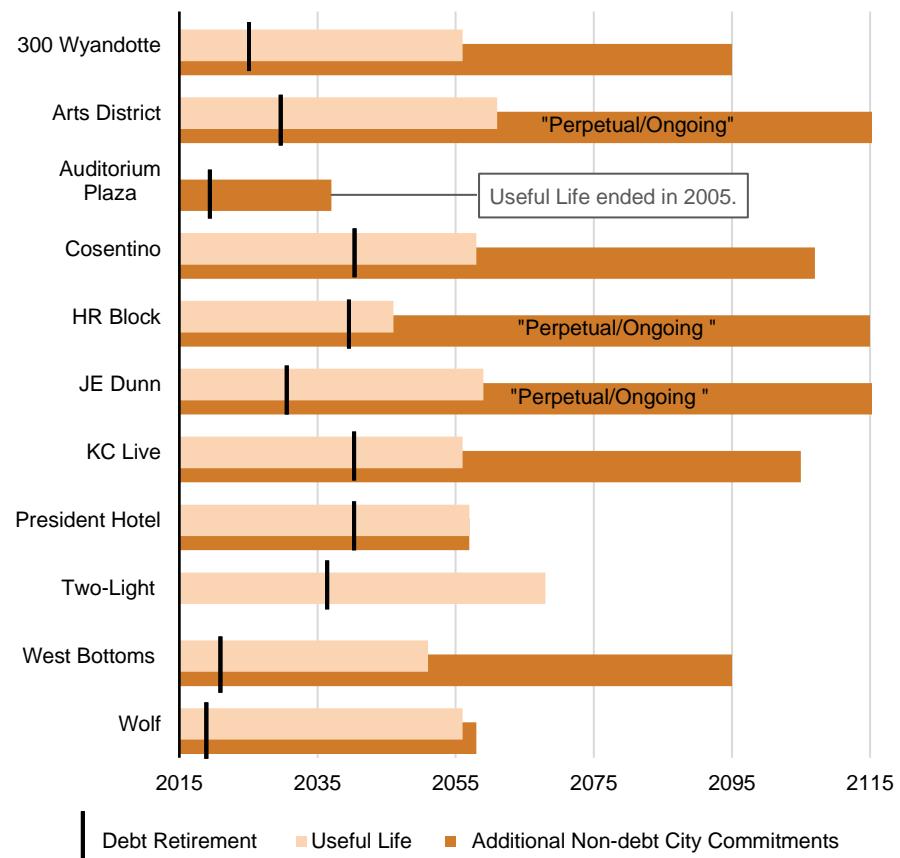


Source: Parking Services records and City Ordinances.

Leases and contracts commit the city long term to parking garages. Nearly all parking garages are leased or have associated parking agreements extending beyond the anticipated useful life of the garage.²² (See Exhibit 6.) Contract language for several garages requires the city to continue to repair or refurbish the garages in "first class condition". Parking garages need significant financial investment to meet the expected useful life of 50-60 years for a typical garage. Extending a commitment to a parking garage past its useful life will require additional significant financial investment from the city in order to fulfill lease commitments to maintain and provide parking. Many of these financial and maintenance commitments were created as part of the original economic development incentive for the project.

²² Useful life of an asset is an accounting estimate of the number of years the asset is likely to remain in service for the purpose of cost-effective revenue generation.

Exhibit 6. Expected Useful Life of Garages with City-Backed Debt and Additional Non-Debt Commitments



Source: City Leases, Parking Services' Garage Records, and CAO Calculations.

Long-term lease commitments to a private entity is not a parking management strategy.²³ Exclusively leasing parking spaces to a single, private entity does not allow for efficient utilization of garages, peak management of parking spaces, flexibility to address future changes, or an ability to prioritize parking use. Because the city committed to these parking garages, the city has limited financial flexibility to shift investments to alternative transportation modes more closely aligned with its transportation goals. Additionally, a private entity may leave the city with a parking garage with no users as occurred when HOK/Populous left the 300 Wyandotte parking garage in the River Market.

Recommendation To align city contracts and leases with parking management principles and provide the city the flexibility to adapt its transportation strategy, the city manager should develop a policy that incorporates transportation goals, considers limits to the

²³ *Parking Management: Strategies, Evaluation, and Planning*, p. 23.

length of leases to maintain flexibility, and evaluates the long-term costs associated with the length of the lease when making leasing decisions for city owned parking garages.

Some leases and contracts forego revenue. The city leases parking spaces to private entities below fair market value. Parking management principles recommend charging as close to market rate for parking as possible. The city committed to many sub-market rate leases as part of the original economic incentive packages. Although, Public Works has a goal of increasing parking rates to market rate by 2021, staff cannot change existing contracts.

In 2018, four below fair market value leases resulted in approximately \$711,000 in foregone revenue. Subsidizing parking does not align with city transportation goals, and foregone revenue is not available for garage operations, maintenance, or debt service.

Recommendation To provide the city with resources needed to operate and maintain existing parking garages, the city manager should ensure the city charges market rate rents for parking spaces.

Leasing spaces from private garages does not support the city's transportation goals. In 2015, the city leased private parking from the Corrigan Station parking garage for a 25-year term. Total payments for the project over the term are estimated to be \$7 million. The stated purpose of the lease was to promote economic development and provide parking in the streetcar corridor area in the evening hours. A subsequent parking study states the Corrigan Station area has surplus off-street parking during the hours the city lease is in effect. The study recommends using parking management strategies and developing a shared parking district to meet parking needs.

Leasing of private parking spaces is not a recommended parking management strategy. City lease payments for public access to private parking serves as a subsidy to automobile users. Subsidizing additional parking in an area can increase automobile traffic at the expense of other transportation modes and divert money from alternative transportation modes, both of which are counter to the city's multi-modal transportation goal. Additionally, the length of the Corrigan Station parking lease does not allow future flexibility in the city's approach to transportation.

City leasing of private parking spaces is a form of subsidy to the project. In 2018, the developer's business plan shows that the Corrigan Station parking garage is expected to provide the project

over \$500,000 in excess revenue, \$250,000 of which comes from city lease payments to the developer.

Parking as economic development is changing. The Mortgage Bankers Association found that parking inventory in cities is out of balance with monumental investments in parking providing an oversupply.²⁴ The study questioned the need for current parking inventories in relation to current and future parking demands. The city should evaluate the leasing of off-street parking from private entities in the context of the city's overall transportation strategy and with the understanding that parking needs are changing.

Recommendation	To expend city resources in support of the city's transportation goals, the city manager should develop a policy to prevent the city from leasing parking from a private entity without meeting an identified transportation goal.
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Parking Garages Need Holistic Management, Maintenance, and Budgeting

Off-Street Parking Management Is Fragmented

Current parking garage management and development is fragmented. Public Works' Parking Services is largely viewed as responsible for parking garages, however, they do not control parking garage development, maintenance decisions, or maintenance budgets. General Services' Facilities Management maintains parking garages. Public Works staff report most parking garage development and lease decisions are made through economic development processes prior to their involvement. A fragmented off-street parking program makes it difficult to plan and implement parking management principles aligned with city transportation goals.

Parking management encompasses planning for parking facilities, control of on- and off-street parking, enforcement of parking regulations, and repair and maintenance of those facilities. Parking management practices aligned with city transportation goals requires the ability to coordinate with businesses and developers to develop shared parking strategies, access management plans, engage developers from a comprehensive transportation perspective, and maintain parking infrastructure like

²⁴*Quantified Parking: Comprehensive Parking Inventories for Five U.S. Cities*, Research Institute for Housing, America, Special Report for Mortgage Bankers Association, May 2018.

parking garages. Experts have noted that parking demands will likely decline in the future. For this reason, it is important for parking management to incorporate flexibility into any parking structures developed. As alternative modes of transportation such as bus, streetcar, walking, biking, scooters, or ride share become more popular, the coordination of access to the greater downtown area will become more important.

Public Works recently proposed the creation of a multi-modal transportation division to provide support for Federal Transit Administration grants, parking administration, coordination with transit services, and GOKC projects.²⁵ Although the new structure may help the department better coordinate parking with other transportation modes, it does not address the fragmentation related to garage development, maintenance, and budgeting.

Transportation Management Associations

Recommended practices identify alternative organizational structures and mechanisms that provide additional tools for parking management. For example, a Transportation Management Association (TMA) is one method to implement parking management solutions in a specific geographic area. Transportation Management Associations are private, non-profit, member-controlled organizations that can be funded through member dues or grants from local governments.²⁶ Recently, some local government agencies have begun to take on some of the services typically provided by a TMA.

Recommendation	To create a holistic parking management system for on- and off-street parking capable of planning and implementing an off-street parking strategy as part of the city's overall transportation system, the city manager should consolidate parking management and parking garage planning, development, maintenance, and operations into a single management framework.
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Garages Lack Capital Asset Maintenance Planning

All city-supported garages except for the Arts District garage lack a capital asset maintenance plan. In 2012, an assessment of city parking operations first identified the need to develop a capital asset maintenance plan for each garage.²⁷ Capital asset maintenance planning is a recommended practice designed to maintain high quality infrastructure capable of delivering the desired level of service to a community. A plan is made up of

²⁵ GOKC projects encompass projects funded through General Obligation Bonds approved for street reconstruction and sidewalk repair.

²⁶ *Parking Management: Strategies, Evaluation, and Planning*, p. 21.

²⁷ *Operational Parking Assessment*, Walter P. Moore and Associates, Inc., January 2012.

several steps that direct maintenance and budgeting decisions.
(See Exhibit 7.)

Exhibit 7. Capital Asset Management Planning Process



Source: Government Finance Officers Association.

General Services does not have an inventory of parking garage assets, does not have records of current conditions, has not established maintenance and replacement standards, and does not have data on past maintenance spending for parking garages. General Services staff stated that they would like to conduct inventories and develop replacement plans in the future. Without capital asset maintenance plans, the city cannot budget and plan for maintenance to ensure the parking garages reach their expected useful life.

Recommendation To maintain city parking garage assets so they continue contributing to and supporting the city's transportation infrastructure, the city manager should develop a capital asset management plan for each parking garage.

Budgets and Reserves Not Established for Garages

The city does not create budgets for individual parking garages or set aside reserve funds to meet anticipated capital maintenance needs for parking garages. Without budgets and adequate capital maintenance funds, city parking garages may not fulfill their expected useful life or adequately meet their intended purpose.

The city does not develop comprehensive budgets for individual garages. Budgeting helps ensure planning and resources are provided to operate and maintain city assets. Annual budgets should identify all costs and revenues associated with a particular parking garage. The city accounts for parking garage costs in several funds. (See Exhibit 8.) Garage budgets and costs are presented within the city's Parking Fund, however, this does not include debt service for several garages or all capital maintenance expenditures. Without individual budgets, revenues from a specific garage are not associated with the costs of that garage and, as a result, the garage's performance cannot be assessed.

Exhibit 8. Funds Used to Pay Debt Service and Operations or Leasing Activity for Parking Garages

Fund Name	Fund Number	Debt Service	Operations or Leasing Activity
Parking Garage	2160	Wolf West Bottom Auditorium Plaza	Wolf West Bottom Auditorium Plaza
		JE Dunn Hotel President HR Block Corrigan Station 300 Wyandotte	JE Dunn Hotel President HR Block Corrigan Station 300 Wyandotte
Performing Arts Center	2170	Arts District	Arts District
Downtown Redevelopment District	5320	HR Block KC Live Hotel President Cosentino/One Light Two Light Three Light (planned)	HR Block KC Live Hotel President Cosentino/One Light Two Light Three Light (planned)
East Village	5301	JE Dunn	
STIF HOK Sports Garage	5330	300 Wyandotte	
STIF 909 Walnut	5310	909 Walnut	

Source: Adopted Budget.

General Services was unable to provide a history of major capital improvements or past expenditures for parking garages.²⁸ Without this information, the city does not know whether it is adequately maintaining parking garages or spending money effectively. Capital maintenance helps ensure an asset is properly maintained over time and can help prevent costly, future repairs. Capital maintenance expenditures are a part of the total cost to operate and maintain parking garages and should be included in a comprehensive budget for individual garages.

In fiscal year 2018, ten garages with city operating commitments had operating costs of at least \$3.7 million. Operating costs can include payments to contractors for daily operations, basic daily cleaning and upkeep, and general repairs and maintenance needed to keep the parking garage operational. The average annual cost per parking space to operate and maintain a parking garage, excluding capital costs, varies by garage. (See Exhibit 9.) Estimated annual operating and maintenance costs for a parking garage are approximately \$400-\$545 per parking space annually.²⁹ The city expends less than \$400 per parking space on some

²⁸ Major capital improvements might include projects such as stair replacement, light fixture replacement, and other major system replacement.

²⁹ Preliminary Operations and Maintenance Cost Kansas City Performing Arts Center Garage, Carl Walker Parking, October 1, 2007.

garages for which it has ongoing financial commitments. Without clear maintenance records and plans, we cannot determine whether spending on garages is sufficient to maintain the garages.

Exhibit 9. Average Annual Maintenance and Operations Cost Per Parking Space, FY 2007-2018

Parking Garage	Cost
West Bottoms	\$201
HR Block ³⁰	\$250
3rd & Wyandotte	\$279
JE Dunn	\$378
Wolf	\$425
President Hotel	\$447
Arts District	\$462
KC Live ³¹	\$490
Auditorium Plaza	\$549
Cosentino ³¹	\$574

Source: Finance Department Records and CAO Calculations.

Without a comprehensive budget or single fund that includes garage debt service, capital maintenance, and operating costs specific to each garage, it is difficult for management and policy makers to know the impacts of past expenditures or identify future needs. For example, the 2019 update to the citywide business plan presents the Parking Garage Fund combined with the Performing Arts Center Garage Fund. Given current assumptions, the anticipated overall general fund subsidy is presented as decreasing. These estimates require revenues from garages with positive cash flow to cover debt service for the Arts District Garage to reduce general fund subsidies, making those funds unavailable for capital maintenance for the garage that generated the funds. Additionally, these estimates, do not include increases to debt service related to the construction of Two-Light and Three-Light because they are held in separate funds, nor additional costs related to reconstruction of the Auditorium Plaza Garage or anticipated capital maintenance costs that may also require general fund support beyond what is anticipated. If all of this information were presented together, a policy maker may view the future financial health of existing parking garages differently.

³⁰ City responsible for 40 percent of “base operations” costs.

³¹ The city and Cordish changed their parking agreements recently so that Cordish will be responsible for day-to-day operations and maintenance of KC Live and the Cosentino parking garages. The city retains financial responsibility for capital costs over \$10,000. The city will have no financial responsibility for the maintenance of the Two-Light garage and the yet to be constructed Three-Light garage.

Recommendation	<p>To maintain city parking garage assets so they continue to contribute to and support the city's transportation infrastructure, the city manager should develop a budget that incorporates revenues, capital maintenance needs, debt service, ongoing maintenance, and operations for each garage with ongoing city financial commitments.</p>
	<p>The city does not maintain a capital maintenance reserve fund for garage capital expenses. We estimate the city should have at least \$8.2 million in capital maintenance reserves to meet current estimated capital maintenance needs for garages. Consultant studies completed for the city estimate a parking garage needs approximately \$100 per space each year to meet capital maintenance needs.³² Based on the current number of parking spaces with city commitments, the city's annual contribution to a capital maintenance reserve for parking garages should be approximately \$645,000 each year.³³</p>
	<p>Many of the parking garages with ongoing city financial commitments are between 7 and 12 years old, and should be undergoing major capital maintenance repair programs to maximize their useful life. Consultant studies provided the city with sample replacement schedules for typical garage infrastructure. For example, major concrete repairs, waterproofing, equipment replacement, and other finishing repairs are necessary every 8 to 12 years. Additional steel and mechanical equipment repair or replacement arise in years 20 through 25.³⁴ If long-term maintenance schedules are not met, parking garages could see increased operating and maintenance costs or higher capital maintenance costs if addressed after the recommended period.</p>
	<p>Parking garages are a part of the transportation system. Neglecting their maintenance could have negative impacts on the city's transportation system and financial position.</p>
Recommendation	<p>To maintain city parking garage assets so they continue to contribute to and support the city's transportation infrastructure goals, the city manager should develop a plan to fund the capital maintenance needs for parking garages with ongoing city financial commitments.</p>

³² Preliminary Operations and Maintenance Cost, Kansas City Performing Arts Center Garage, Carl Walker Parking, October 1, 2007.

³³ This figure does not include Auditorium Plaza Garage, which is past its useful life and needs to be replaced.

³⁴ Preliminary Operations and Maintenance Cost, Kansas City Performing Arts Center Garage, Carl Walker Parking, October 1, 2007.

Recommendations

1. The city manager should update AdvanceKC and other development related policies to utilize parking management principles as part of a comprehensive transportation approach and to eliminate the use of incentives to construct garages in transit-oriented areas or to construct non-shared parking garages.
2. The city manager should develop a policy that incorporates transportation goals, considers limits to the length of leases to maintain flexibility, and evaluates the long-term costs associated with the length of the lease when making leasing decisions for city owned parking garages.
3. The city manager should ensure the city charges market rate rents for parking spaces.
4. The city manager should develop a policy to prevent the city from leasing parking from a private entity without meeting an identified transportation goal.
5. The city manager should consolidate parking management and parking garage planning, development, maintenance, and operations into a single management framework.
6. The city manager should develop a capital asset management plan for each parking garage.
7. The city manager should develop a budget that incorporates revenues, capital maintenance needs, debt service, ongoing maintenance, and operations for each garage with ongoing city financial commitments.
8. The city manager should develop a plan to fund the capital maintenance needs for parking garages with ongoing city financial commitments.

Appendix A

Publicly-Assisted Projects with Parking Structures, 2000 - 2018

Publicly-Assisted Projects with Parking Structures, 2000-2018

Project	Incentivized Garages	City-Backed Debt	City Operational Involvement	City-Owned
Auditorium Plaza		x	x	x
Wolf Garage		x	x	x
West Bottoms	x	x	x	x
300 Wyandotte	x	x	x	x
Arts District	x	x	x	x
JE Dunn Parking Garage	x	x	x	x
KC Live	x	x	x	x
One Light/Cosentino	x	x	x	x
President Hotel	x	x	x	x
H & R Block	x	x	x	
909 Walnut	x	x		
Two-Light	x	x		
10th & Wyandotte Garage	x			
1517 Walnut	x			
1914 Main	x			
2600 Grand office tower	x			
531 Grand	x			
600 Broadway/Rivergate	x			
ARTerra	x			
Atlas Lofts/Berlau Paper Bldg.	x			
Centropolis	x			
Cityscape/Apex	x			
Cityscape/Crossroads West	x			
Cityscape/Summit	x			
Convention Hotel	x			
Corrigan Station	x			
DA Morr/Parking Garage	x			
FAA Bldg./Parking Garage	x			
Founders Apartment Buildings	x			
Gallery Green/Milhaus	x			
Grand Reserve	x			
HD Lee Bldg./Parking Garage	x			
IRS/Pershing Road Campus	x			
IRS/Union Station Garage	x			
Market Station	x			
Pickwick/East 9	x			
Power & Light Apts/Garage	x			
River Market West I	x			
River Market West II	x			
Second & Delaware	x			
State Street/DST	x			
The Books/Library Garage	x			
The Union	x			
TWA Bldg./Parking Garage	x			
UMKC Student Housing/Troost	x			
Vitagraph Building	x			

Source: Economic Development Corporation and Parking Services Records.

Appendix B

City Manager's Response



Inter-Departmental Communication Office of the City Manager

RECEIVED

MAR 18 2019

CITY AUDITOR'S OFFICE

Date: March 18, 2019

To: Douglas Jones, City Auditor

From: Troy M. Schulte, City Manager

Subject: Response to Performance Audit: *Parking Garage Investment Needs Planning, Coordination with Transportation Goals*

Troy M. Schulte

1. ***The city manager should update AdvanceKC and other development related policies to utilize parking management principles as part of a comprehensive transportation approach and to eliminate the use of incentives to construct garages in transit-oriented areas or to construct non-shared parking garages.***

Agree. As the AdvanceKC policies are updated, long-term transportation policies will be incorporated into the AdvanceKC policies.

2. ***The city manager should develop a policy that incorporates transportation goals, considers limits to the length of leases to maintain flexibility, and evaluates the long-term costs associated with the length of the lease when making leasing decisions for city owned parking garages.***

Agree. A policy will be developed that incorporates reopener provisions into all leases of city parking facilities to provide future flexibility and adaptability as market conditions change.

3. ***The city manager should ensure the city charges market rate rents for parking spaces.***

Agree in Part. While market rate rents should be the goal for all leases, a below market rate lease, at least initially, should be part of the City's economic development options. It may be cheaper overall for the City to provide below market rate parking for a period than to fund other public incentives.

4. ***The city manager should develop a policy to prevent the city from leasing parking from a private entity without meeting an identified transportation goal.***

Agree in Part. While meeting transportation goals are important, so are the City's economic development goals. Given the long-term significant investment that still must be made to accomplish the City's transportation goals, it may not make sense to prevent leasing parking for a private entity in order to attract or retain a significant employer in the City.

5. ***The city manager should consolidate parking management and parking garage planning, development, maintenance, and operations into a single management framework.***

Agree. Beginning with the FY2019-20 budget, all operations and maintenance of City-owned garages will be consolidated under the Public Parking division of the Public Works. This division is already involved in the planning and development or disposition of public parking facilities.

- 6. *The city manager should develop a capital asset management plan for each parking garage.***

Agree. This planning process will commence with the FY 2019-20 budget.

- 7. *The city manager should develop a budget that incorporates revenues, capital maintenance needs, debt service, ongoing maintenance, and operations for each garage with ongoing city financial commitments.***

Agree. Those costs are already incorporated into all new garage development/redevelopment projects such as the new Auditorium Plaza, Strata, and 3rd and Grand garage projects. We will also start developing these costs for current city garages with ongoing commitments.

- 8. *The city manager should develop a plan to fund the capital maintenance needs for parking garages with ongoing city financial commitments.***

Agree. The FY 2019-20 budget includes \$500,000 for garage maintenance needs. In addition, the City is developing a \$3 million capital maintenance project for the West Bottoms garage that will be fully supported by revenues from a long-term lease with a private entity.